

Testimony of Ken Engle
Farmer, Acme Township
Grand Traverse County, Michigan
Before the House Committee of Ways and Means
Hearing on the Charitable Deduction
February, 2013

I am Ken Engle, a fruit grower in the northwest part of northern Michigan. My wife, Janet, and I have sold three conservation easements permanently protecting about eighty-three percent of our three-hundred acre farm. I want to thank the committee for the opportunity to tell why the enhanced conservation easement deduction is important for me, neighboring farmers, and our community.

Acme Township voters passed a ten year PDR, purchase of development rights, millage and began collecting tax revenue in 2004. Four farms, including ours, applied and were accepted into the program. It became clear after appraisals of development rights were completed that the projected millage revenues would not be enough to purchase development rights on all the farms which had been offered. From the beginning, part of the plan was to apply for matching fund grants from programs such as FRPP, but even with matching funds, not all of the development rights could be purchased. The solution came from the farmers who had applied; do bargain sales with Acme Township so all of the four farmers could sell their development rights. Preserving neighboring farmland was as important as the monetary gain to each farm. Without the enhanced conservation easement deduction, this solution would likely not have happened.

The farming operations which have sold their development rights are reinvesting in their farming operations. One neighboring farm has used its PDR money to buy farmland as part of another sale of a conservation easement and bargain sale outside of the Acme Township PDR program. This is farmland they had been leasing for decades owned by someone several states away. There was another buyer that wanted to turn the property into housing. It is well documented that when development moves into farming areas, farming does not continue for many more years.

I am using the money from my PDR sale to reinvest in orchards even though I have reached retirement age. An orchard lasts twenty years or more and can cost fifteen thousand dollars per acre to plant, but we can't immediately write it off on our taxes because of the pre-productive period and uniform capitalization rules in the tax code. Because we were able to use 100% of our bargain sale donation, we significantly reduced the tax burden and had more to reinvest. Now that the land is permanently protected, whether I continue to farm or I sell to the next farmer, my reinvestment will help make farming profitable since development is not an option. Also, we recently sold thirty-seven acres of protected land to a neighbor whose house is on the lot which was split from the forty before we purchased the property. It was a win, win, win sale because we sold land to a new farming neighbor who needed hay and pasture land at an affordable price and a forty was put back together.

Knowing that neighboring property will not be developed into a subdivision makes it easier for a buyer to get financing from a farm lender. The sibling who has stayed on the farm has a better chance to buy out the other siblings if the option of charitable contribution and a bargain sale exists. Many farmers become interested in selling development rights when they are ready to retire or their children decide they want to take over the farming operation. Others have told me they want to make sure their farmland is not sold off for development. Even if a neighboring farmer has not sold his development rights, in a community committed to continued agriculture he is more apt to reinvest in his farming operation and more likely to sell development rights in the future.

Our farming community is located within a few miles of a new, large retail development on a major highway to Traverse City, Michigan. There is concern from the farmers that there will be more pressure to convert farmland for development. Acme Township has a plan to preserve farmland and put growth in better suited areas. The certainty of a permanent enhanced conservation easement deduction will help both the farmers and voters of Acme Township as they work toward this goal in coming years.

Thank you for the opportunity to present this testimony.

Contact information:

Ken Engle
Engle Ridge Farm
6754 Yuba Road
Williamsburg, MI 49690

231-264-9694
231-590-9500

engleridgefarm@gmail.com